

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Columbia Township	County Jackson
Audit Date June 30, 2005	Opinion Date August 11, 2005	Date Accountant Report Submitted to State: January 13, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

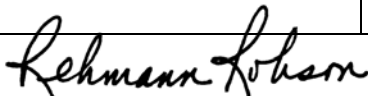
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

COLUMBIA TOWNSHIP

Jackson County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2005**



REHMANN ROBSON

Certified Public Accountants

COLUMBIA TOWNSHIP

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	20
Statement of Net Assets – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds	23-24
Statement of Fiduciary Net Assets – Agency Funds.....	25
Notes to the Financial Statements	26-41
Combining Fund Financial Statements -	
Combining Statement of Assets and Liabilities – Agency Funds	42

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

August 11, 2005

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Columbia Township, Michigan**, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Township, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbia Township's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Columbia Township, Brooklyn, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$24,286,178 (net assets). Of this amount, \$18,407,803 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$ 11,959,434, due in part to the Vineyard Lake and Lake Columbia sewer extension projects in the sewer fund and conservative spending in the general fund.
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$1,250,835, an increase of \$358,895 in comparison with the prior year. Approximately 67.0% of this total amount, or \$837,962, is available for spending at the government's discretion (unreserved fund balance). This amounts to 62 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety and public works. The business-type activities of the Township include sewer operations.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. The Township of Columbia has no nonmajor funds.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township has one enterprise fund to account for its sanitary sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township has two fiduciary funds, which are *agency* funds. The first agency fund is used to account for tax collections by the Township of Columbia on behalf of other governmental units. The second agency fund is the payroll fund, which payroll is deposited and payroll checks are written. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The fiduciary fund financial statements can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-41 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Columbia Township, assets exceeded liabilities by \$24,286,178 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets, \$18,407,803, reflects unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

An additional portion of the Township's net assets, \$412,873, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Township's net assets, \$5,465,502, reflects its investment in capital assets (e.g., buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Columbia Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,263,858	\$ 904,318	\$ 27,757,283	\$ 8,627,558	\$ 29,021,141	\$ 9,531,876
Capital assets	1,052,304	1,147,643	15,247,864	9,204,704	16,300,168	10,352,347
Total assets	<u>2,316,162</u>	<u>2,051,961</u>	<u>43,005,147</u>	<u>17,832,262</u>	<u>45,321,309</u>	<u>19,884,223</u>
Long-term liabilities outstanding	2,068	5,836	21,020,000	7,458,973	21,022,068	7,464,809
Other liabilities	13,023	12,378	40	59,412	13,063	71,790
Total liabilities	<u>15,091</u>	<u>18,214</u>	<u>21,020,040</u>	<u>7,518,385</u>	<u>21,035,131</u>	<u>7,536,599</u>
Net assets:						
Invested in capital assets, net of related debt	1,052,304	1,147,643	4,413,198	1,745,731	5,465,502	2,893,374
Restricted for special purposes	412,873	166,088	-	-	412,873	166,088
Unrestricted	<u>835,894</u>	<u>720,016</u>	<u>17,571,909</u>	<u>8,568,146</u>	<u>18,407,803</u>	<u>9,288,162</u>
Total net assets	<u><u>\$ 2,301,071</u></u>	<u><u>\$ 2,033,747</u></u>	<u><u>\$ 21,985,107</u></u>	<u><u>\$ 10,313,877</u></u>	<u><u>\$ 24,286,178</u></u>	<u><u>\$ 12,347,624</u></u>

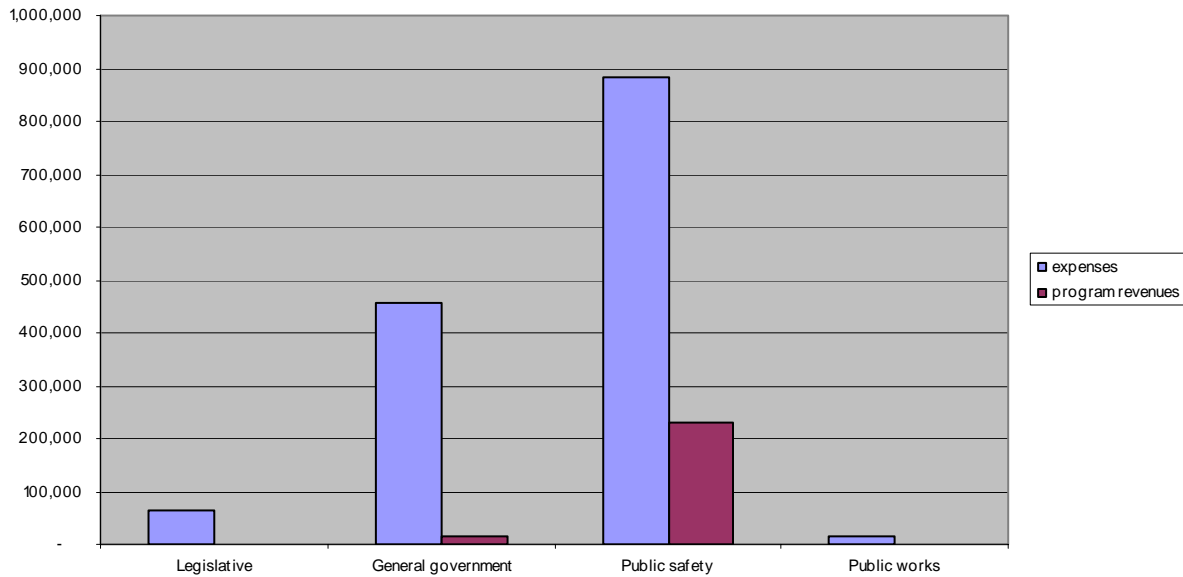
During the current fiscal year, the government's net assets increased by \$11,959,434. A large percentage of this is due to the addition of the Vineyard Lake and Lake Columbia sewer extensions.

Columbia Township's Changes in Net Assets

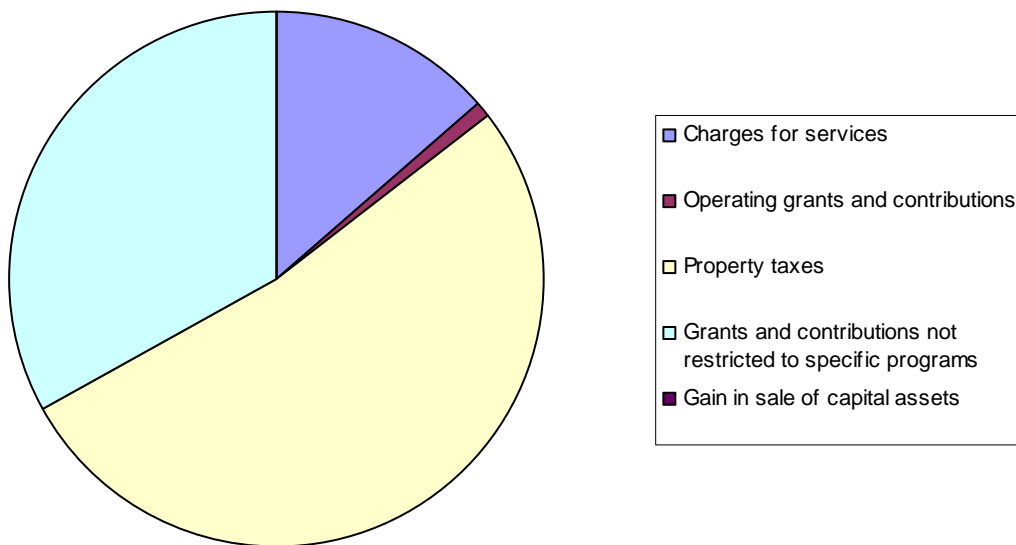
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenue:						
Charges for services	\$ 234,911	\$ 162,734	\$ 1,578,093	\$ 2,256,158	\$ 1,813,004	\$ 2,418,892
Operating grants and contributions	12,505	3,957	140,862	130,764	153,367	134,721
Capital grants and contributions	-	-	11,278,117	3,280,166	11,278,117	3,280,166
General revenue:						
Property taxes	898,068	841,681	-	-	898,068	841,681
Grants and contributions not restricted to specific programs	563,272	543,689	-	-	563,272	543,689
Gain on sale of capital assets	-	3,690	-	-	-	3,690
Total revenue	1,708,756	1,555,751	12,997,072	5,667,088	14,705,828	7,222,839
Expenses:						
Legislative	65,535	69,298	-	-	65,535	69,298
General government	455,384	421,500	-	-	455,384	421,500
Public safety	883,478	693,800	-	-	883,478	693,800
Public works	16,155	15,310	-	-	16,155	15,310
Sewer	-	-	1,225,997	769,186	1,225,997	769,186
Total expenses	1,420,552	1,199,908	1,225,997	769,186	2,646,549	1,969,094
Special item - refund of tap fees	-	-	(99,845)	-	(99,845)	-
Change in net assets	288,204	355,843	11,671,230	4,897,902	11,959,434	5,253,745
Net assets, beginning of year, as restated	2,012,867	1,677,904	10,313,877	5,415,975	12,326,744	7,093,879
Net assets, end of year	\$ 2,301,071	\$ 2,033,747	\$ 21,985,107	\$ 10,313,877	\$ 24,286,178	\$ 12,347,624

Governmental activities. Governmental activities increased the Township's net assets by \$288,204, accounting for 2 percent of the total growth in the net assets of the Township.

Expenses and Program Revenues - Governmental Activities

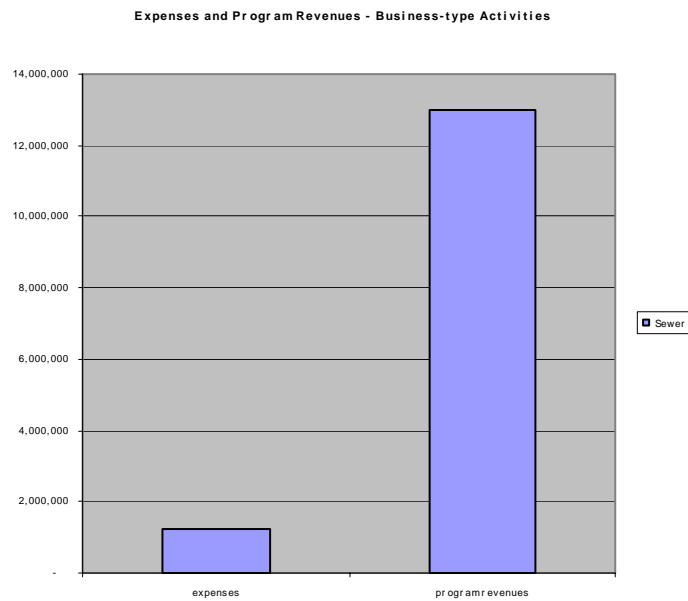


Revenues by Source - Governmental Activities

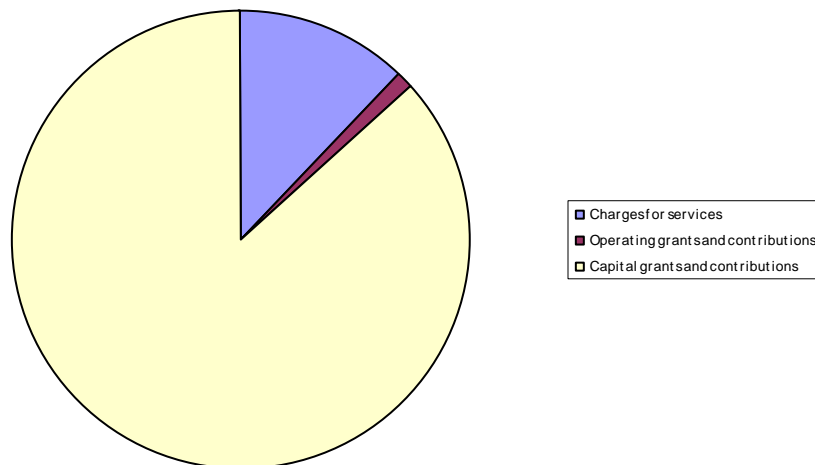


Business-type activities. Business-type activities increased the Township's net assets by \$11,671,230 accounting for 98 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Due to the Vineyard Lake and Lake Columbia sewer extension project, special assessment revenue increased \$11,278,117 from the prior year.
- An additional \$1,172,710 in interceptor fees was deposited into the Clark Lake sewer extension.



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township and is the only governmental fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$837,962, while total fund balance was \$1,250,835. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 62 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$358,895 during the current fiscal year. Township management prudently maintained a minimal level of spending anticipating the reduction in economic growth the region is now experiencing.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Lake Columbia and Vineyard Lake sewer enterprise funds at the end of the year amounted to \$15,442,191 and \$2,129,718, respectively. The funds had increases of \$6,972,793 and \$3,341,084 in net assets, respectively, for the year. Other factors concerning the finances of this fund has already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township made no amendments to the general fund budget during the year. The difference between the original/final amended budgets and actual amounts for expenditures was \$143,251. The decrease was primarily due to diligence by the Township's management in reducing expenses.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$16,300,168 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Township of Columbia's Capital Assets (net of depreciation)

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Construction in progress	\$ -	\$ 5,055,444	\$ 5,055,444
Buildings	166,578	-	166,578
Vehicles	885,726	-	885,726
Sewer system	-	10,192,420	10,192,420
Total	<u>\$ 1,052,304</u>	<u>\$ 15,247,864</u>	<u>\$ 16,300,168</u>

Additional information on the Township's capital assets can be found in note III.C. on pages 35-36 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$21,020,000. This entire amount comprises debt backed by the full faith and credit of the government. The Township also had accrued compensated absences in the amount of \$2,068.

Township of Columbia's Outstanding Debt

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General obligation bonds	\$ -	\$ 21,020,000	\$ 21,020,000
Compensated absences	2,068	-	2,068
Total	<u>\$ 2,068</u>	<u>\$ 21,020,000</u>	<u>\$ 21,022,068</u>

During the current fiscal year, the Township's installment debt increased by \$13,561,027 (182 percent). The increase is due to the addition of the Lake Columbia Sewer Project and the ownership of the Vineyard Lake Common Fund agreement between Columbia, Norvell and Cambridge Township. Offsetting leases receivable from Norvell and Cambridge Township equals \$3,380,970.

Additional information on the Township's long-term debt can be found in note III.F on pages 37-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- Use of fund balance to balance FY 2006 budget
- Available taxing, bonding, and grant resources
- The growth of the Clark Lake Sewer extension
- A decrease in state shared revenue
- Projected staffing considerations

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Julie Hill, Treasurer, Township of Columbia, 8500 Jefferson Rd, Brooklyn, Michigan 49230.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN**Statement of Net Assets****June 30, 2005**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 378,690	\$ 8,476,925	\$ 8,855,615
Investments	815,429	3,648,129	4,463,558
Receivables	69,739	15,471,782	15,541,521
Prepaid items and other assets	-	160,447	160,447
Capital assets not being depreciated	-	5,055,444	5,055,444
Capital assets being depreciated, net	1,052,304	10,192,420	11,244,724
Total assets	2,316,162	43,005,147	45,321,309
Liabilities			
Accounts payable and accrued liabilities	13,023	40	13,063
Long-term debt:			
Due within one year	-	1,265,000	1,265,000
Due in more than one year	2,068	19,755,000	19,757,068
Total liabilities	15,091	21,020,040	21,035,131
Net assets			
Invested in capital assets, net of related debt	1,052,304	4,413,198	5,465,502
Restricted for special purposes	412,873	-	412,873
Unrestricted	835,894	17,571,909	18,407,803
Total net assets	\$ 2,301,071	\$ 21,985,107	\$ 24,286,178

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Legislative	\$ 65,535	\$ -	\$ -	\$ -	\$ (65,535)
General government	455,384	15,415	-	-	(439,969)
Public safety	883,478	219,496	12,505	-	(651,477)
Public works	16,155	-	-	-	(16,155)
Total governmental activities	1,420,552	234,911	12,505	-	(1,173,136)
Business-type activities:					
Sewer	1,225,997	1,578,093	140,862	11,278,117	11,771,075
Total	<u>\$ 2,646,549</u>	<u>\$ 1,813,004</u>	<u>\$ 153,367</u>	<u>\$ 11,278,117</u>	<u>\$ 10,597,939</u>

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	<u>\$ (1,173,136)</u>	<u>\$ 11,771,075</u>	<u>\$ 10,597,939</u>
General revenues:			
Property taxes	898,068	-	898,068
Grants and contributions not restricted to specific programs	563,272	-	563,272
Special item - refund of tap fees	-	(99,845)	(99,845)
	<u>1,461,340</u>	<u>(99,845)</u>	<u>1,361,495</u>
Total general revenues and special items			
Change in net assets	288,204	11,671,230	11,959,434
Net assets, beginning of year, as restated	<u>2,012,867</u>	<u>10,313,877</u>	<u>12,326,744</u>
Net assets, end of year	<u><u>\$ 2,301,071</u></u>	<u><u>\$ 21,985,107</u></u>	<u><u>\$ 24,286,178</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN
Balance Sheet
General Fund
June 30, 2005

ASSETS

Assets

Cash and cash equivalents	\$ 378,690
Investments	815,429
Accounts receivable	3,600
Due from other governments	<u>66,139</u>

TOTAL ASSETS

\$ 1,263,858

LIABILITIES AND FUND BALANCE

Liabilities

Accrued wages	<u>\$ 13,023</u>
---------------	------------------

Fund balance

Reserved for fire equipment	412,873
Unreserved, undesignated	<u>837,962</u>
 Total fund balance	 <u>1,250,835</u>

TOTAL LIABILITIES
AND FUND BALANCE

\$ 1,263,858

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund balance - General fund	\$ 1,250,835
-----------------------------	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefor are not reported in the funds.

Add: capital assets	1,702,654
Deduct: accumulated depreciation	(650,350)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: compensated absences	<u>(2,068)</u>
------------------------------	----------------

Net assets of governmental activities	<u><u>\$ 2,301,071</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2005

Revenue

Taxes and special assessments	\$ 898,068
Intergovernmental	408,392
Licenses and permits	212,640
Charges for services	125,306
Fines and forfeits	20,052
Other revenue	44,298
	<hr/>
Total revenue	1,708,756
	<hr/>

Expenditures

Legislative	53,110
General government	456,326
Public safety	824,270
Public works	16,155
	<hr/>
Total expenditures	1,349,861
	<hr/>

Net change in fund balance	358,895
----------------------------	---------

Fund balance, beginning of year	891,940
---------------------------------	---------

Fund balance, end of year	\$ 1,250,835
----------------------------------	---------------------

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balance - General fund	\$ 358,895
---	------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: depreciation expense	(74,459)
------------------------------	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for compensated absences	3,768
---	-------

Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 288,204</div>
---	---

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenue			
Taxes and special assessments	\$ 867,230	\$ 898,068	\$ 30,838
Intergovernmental	364,500	408,392	43,892
Licenses and permits	144,500	212,640	68,140
Charges for services	105,100	125,306	20,206
Fines and forfeits	15,000	20,052	5,052
Other revenue	31,135	44,298	13,163
	<u>1,527,465</u>	<u>1,708,756</u>	<u>181,291</u>
Expenditures			
Legislative:			
Board of Trustees	67,486	53,110	(14,376)
General government:			
Supervisor	29,932	30,866	934
Assessor	119,959	97,312	(22,647)
Clerk Elections	11,315	11,579	264
Clerk Office	73,441	70,262	(3,179)
Board of Review	2,600	1,241	(1,359)
Treasurer	81,534	66,714	(14,820)
Hall and Grounds	172,450	134,886	(37,564)
Cemetery and Grounds	24,200	25,481	1,281
Community Promotion	1,000	-	(1,000)
Parks and Recreation	9,800	4,864	(4,936)
Sewer	12,961	13,121	160
	<u>539,192</u>	<u>456,326</u>	<u>(82,866)</u>
Public safety:			
Police	397,356	344,447	(52,909)
Fire	321,600	330,119	8,519
Building Inspector	97,882	87,358	(10,524)
Electrical Inspector	14,350	30,367	16,017
Plumbing Inspector	10,450	9,373	(1,077)
Zoning and planning	24,196	22,606	(1,590)
	<u>865,834</u>	<u>824,270</u>	<u>(41,564)</u>
Public works:			
Highways and Streets	20,600	16,155	(4,445)
	<u>1,493,112</u>	<u>1,349,861</u>	<u>(143,251)</u>
Net change in fund balance	34,353	358,895	324,542
Fund balance, beginning of year	891,940	891,940	-
Fund balance, end of year	<u>\$ 926,293</u>	<u>\$ 1,250,835</u>	<u>\$ 324,542</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Net Assets
Enterprise Funds
June 30, 2005

	Lake Columbia	Vineyard Lake	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,410,834	\$ 261,727	\$ 1,672,561
Investments	3,648,129	-	3,648,129
Accounts receivable	54,365	405	54,770
Current portion of special assessments receivable	663,039	107,335	770,374
Current portion of long-term lease receivable	-	136,518	136,518
Funds on deposit with Jackson County	5,985,206	819,158	6,804,364
Due from other funds	-	4,738	4,738
Total current assets	<u>11,761,573</u>	<u>1,329,881</u>	<u>13,091,454</u>
Non-current assets:			
Deferred charges	115,789	44,658	160,447
Special assessments receivable, net of current portion	9,554,813	1,710,855	11,265,668
Long-term lease receivable, net of current portion	-	3,244,452	3,244,452
Capital assets, net	12,472,506	2,775,358	15,247,864
Total non-current assets	<u>22,143,108</u>	<u>7,775,323</u>	<u>29,918,431</u>
Total assets	<u>33,904,681</u>	<u>9,105,204</u>	<u>43,009,885</u>
Liabilities			
Current liabilities:			
Accounts payable	40	-	40
Due to other funds	4,738	-	4,738
Current portion of long-term debt	1,015,000	250,000	1,265,000
Total current liabilities	<u>1,019,778</u>	<u>250,000</u>	<u>1,269,778</u>
Bonds payable, net of current portion	<u>14,155,000</u>	<u>5,600,000</u>	<u>19,755,000</u>
Total liabilities	<u>15,174,778</u>	<u>5,850,000</u>	<u>21,024,778</u>
Net assets			
Invested in capital assets, net of related debt	3,287,712	1,125,486	4,413,198
Unrestricted	<u>15,442,191</u>	<u>2,129,718</u>	<u>17,571,909</u>
Total net assets	<u>\$ 18,729,903</u>	<u>\$ 3,255,204</u>	<u>\$ 21,985,107</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2005

	Lake Columbia	Vineyard Lake	Total
Operating revenue			
Charges for services	\$ 1,526,083	\$ 52,010	\$ 1,578,093
Special assessment revenue	11,113,185	164,932	11,278,117
Total operating revenue	12,639,268	216,942	12,856,210
Operating expenses			
Costs of sales and services	163,463	10,374	173,837
Administration	57,908	7,358	65,266
Depreciation	240,705	35,131	275,836
Amortization of bond issue costs	14,474	2,481	16,955
Total operating expenses	476,550	55,344	531,894
Operating income	12,162,718	161,598	12,324,316
Non-operating revenue (expense)			
Interest on investments	25,810	3,798	29,608
Interest on special assessments	29,146	82,108	111,254
Interest expense and fiscal charges	(460,564)	(233,539)	(694,103)
Total non-operating revenue (expense)	(405,608)	(147,633)	(553,241)
Net income (loss) before special item	11,757,110	13,965	11,771,075
Special item			
Refunded tap fees	-	(99,845)	(99,845)
Change in fund net assets	11,757,110	(85,880)	11,671,230
Net assets, beginning of year, as restated	6,972,793	3,341,084	10,313,877
Net assets, end of year	<u>\$ 18,729,903</u>	<u>\$ 3,255,204</u>	<u>\$ 21,985,107</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2005

	Lake Columbia	Vineyard Lake	Total
Cash flows from operating activities			
Cash received from customers	\$ 6,393,662	\$ 2,095,170	\$ 8,488,832
Cash payments to suppliers for goods and services	(8,808,961)	(3,403,440)	(12,212,401)
Net cash provided (used) by operating activities	(2,415,299)	(1,308,270)	(3,723,569)
Cash flows from capital and related financing activities			
Proceeds from issuance of long-term debt	11,000,000	3,331,027	14,331,027
Principal paid on bonds payable	(520,000)	(250,000)	(770,000)
Interest paid on bonds payable	(460,564)	(233,539)	(694,103)
Interest collected on special assessments	29,146	82,108	111,254
Construction/acquisition of capital assets	(5,055,444)	(1,263,552)	(6,318,996)
Refund of tap fees	-	(99,845)	(99,845)
Net cash provided by capital and related financing activities	4,993,138	1,566,199	6,559,337
Cash flows from investing activities			
Purchase of investments	(2,500,436)	-	(2,500,436)
Interest on investments	25,810	3,798	29,608
Net cash provided (used) by investing activities	(2,474,626)	3,798	(2,470,828)
Increase in cash and cash equivalents	103,213	261,727	364,940
Cash and cash equivalents, beginning of year	1,307,621	-	1,307,621
Cash and cash equivalents, end of year	\$ 1,410,834	\$ 261,727	\$ 1,672,561

Non-Cash Transactions:

There were no significant non-cash transactions during the year ended June 30, 2005.

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds (Concluded)
For the Year Ended June 30, 2005

	Lake Columbia	Vineyard Lake	Total
Reconciliation of operating income to cash flows from operating activities			
Operating income	\$ 12,162,718	\$ 161,598	\$ 12,324,316
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	240,705	35,131	275,836
Amortization of bond issue costs	14,474	2,481	16,955
Changes in assets and liabilities:			
Accounts receivable	41,641	(405)	41,236
Special assesement receivable	(6,287,247)	(1,818,190)	(8,105,437)
Funds on deposit with Jackson County	(8,533,871)	3,696,823	(4,837,048)
Due from other funds	1,319	(4,738)	(3,419)
Long-term lease receivable	-	(3,380,970)	(3,380,970)
Accounts payable	(59,372)	-	(59,372)
Due to other funds	4,334	-	4,334
Net cash provided by operating activities	\$ (2,415,299)	\$ (1,308,270)	\$ (3,723,569)

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Assets

Cash and cash equivalents	<u>\$ 9,523</u>
---------------------------	-----------------

Liabilities

Accounts payable	\$ 1,448
Due to other governments	<u>8,075</u>

Total liabilities	<u><u>\$ 9,523</u></u>
--------------------------	------------------------

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Columbia Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *Lake Columbia sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Vineyard Lake sewer fund* accounts for the activities of the common sewage disposal and treatment system administered by the township.

Additionally, the government reports the following fund type:

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Township's investment policy allow for all of these types of investments.

The caption "Funds on deposit with Jackson County" represents deposits held by that government on behalf of the Township to be used for sewer system construction and maintenance, and payments on the related outstanding debt. Accordingly, these deposits are not included in the determination of the amount of the Township's federally insured deposits.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	40
Vehicles	3-30
Equipment	5-30

4. Compensated absences

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General government:			
Supervisor	\$ 29,932	\$ 30,866	\$ 934
Clerk Elections	11,315	11,579	264
Cemetery and Grounds	24,200	25,481	1,281
Sewer	12,961	13,121	160
Public safety:			
Fire	321,600	330,119	8,519

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 8,855,615
Investments	<u>4,463,558</u>
	<u>13,319,173</u>

Statement of Fiduciary Net Assets:

Agency Funds:	
Cash and cash equivalents	<u>9,523</u>
	<u>\$13,328,696</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Deposits and investments

The Township chooses to disclose its investments by specifically identifying each. As of year end, the Township had the following deposits and investments (excluding funds on deposit with Jackson County).

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 1,782,424	n/a
Certificates of deposit	less than 1 year	3,129,000	n/a
Certificates of deposit	1-5 years	250,000	n/a
Comerica Money Market Fund	n/a	667,129	n/a
Comerica J Fund	n/a	<u>695,579</u>	n/a
		<u>\$ 6,524,132</u>	

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township had no investments that required credit risk ratings at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$2,892,711 of the Township's bank balance of \$5,171,711 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 5,161,424
Investments	1,362,708
Funds on deposit with Jackson County	6,804,364
Cash on hand	<u>200</u>
	<u>\$ 13,328,696</u>

B. Receivables

Receivables as of year end are as follows:

	Governmental Activities	Business-type Activities	Total	Amounts Not Expected to be Collected Within One Year
Receivables:				
Accounts receivable	\$ 3,600	\$ 54,770	\$ 58,370	\$ -
Due from other governments	66,139	-	66,139	-
Special assessments receivable	-	12,036,042	12,036,042	11,265,668
Long-term lease receivable	-	3,380,970	3,380,970	3,244,452
Total receivables	\$ 69,739	\$ 15,471,782	\$ 15,541,521	\$ 14,510,120

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Improvements	\$ 82,091	\$ -	\$ -	\$ 82,091
Buildings	496,999	-	-	496,999
Vehicles	1,123,564	-	-	1,123,564
Total capital assets being depreciated	<u>1,702,654</u>	<u>-</u>	<u>-</u>	<u>1,702,654</u>
Less accumulated depreciation for:				
Improvements	82,091	-	-	82,091
Buildings	317,996	12,425	-	330,421
Vehicles	175,804	62,034	-	237,838
Total accumulated depreciation	<u>575,891</u>	<u>74,459</u>	<u>-</u>	<u>650,350</u>
Total capital assets being depreciated, net	<u>1,126,763</u>	<u>(74,459)</u>	<u>-</u>	<u>1,052,304</u>
Governmental activities capital assets, net	<u>\$ 1,126,763</u>	<u>\$ (74,459)</u>	<u>\$ -</u>	<u>\$ 1,052,304</u>
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 1,546,937	\$ 5,055,444	\$ 1,546,937	\$ 5,055,444
Capital assets being depreciated:				
Sewer system	9,628,186	2,810,489	-	12,438,675
Less accumulated depreciation for:				
Sewer system	1,970,419	275,836	-	2,246,255
Total capital assets being depreciated, net	<u>7,657,767</u>	<u>2,534,653</u>	<u>-</u>	<u>10,192,420</u>
Business-type activities capital assets, net	<u>\$ 9,204,704</u>	<u>\$ 7,590,098</u>	<u>\$ 1,546,937</u>	<u>\$ 15,247,865</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 12,425
Public safety	<u>62,034</u>

Total depreciation expense - governmental activities **\$ 74,459**

Business-type activities:

Sewer	<u>\$ 275,836</u>
-------	--------------------------

D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ -	\$ 40	\$ 40
Accrued wages	<u>13,023</u>	<u>-</u>	<u>13,023</u>
	<u>\$ 13,023</u>	<u>\$ 40</u>	<u>\$ 13,063</u>

E. Interfund receivables, payables and transfers

At June 30, 2005, interfund receivables and payables consisted of the following:

	<u>Due from</u>	<u>Due to</u>
Lake Columbia sewer fund	\$ -	\$ 4,738
Vineyard Lake sewer fund	<u>4,738</u>	<u>-</u>
	<u>\$ 4,738</u>	<u>\$ 4,738</u>

The Township often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer construction projects	3.0 - 4.25%	<u>\$21,020,000</u>

The wastewater disposal system bond payable is equal to the aggregate outstanding principal and interest payments due on the County of Jackson Wastewater Disposal Facility Bonds (Clark Lake, Vineyard Lake and Lake Columbia Sections). Those bonds were issued to finance the construction of the wastewater disposal system, which was managed and administered by the Jackson County Department of Public Works under contract with the Township until this year when the Township became the administrator of the common fund. The cost of the Township's portion of the system is capitalized in the Township's Sewer Enterprise Funds, which are financing the debt service payments through usage fees and special assessments. The portion of the debt attributable to other governmental units is offset by a long-term lease receivable from those units.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds is as follows:

Year Ending	Principal	Interest	Total
2006	\$ 1,265,000	\$ 817,500	\$ 2,082,500
2007	1,260,000	772,638	2,032,638
2008	1,255,000	730,475	1,985,475
2009	1,295,000	686,725	1,981,725
2010	1,290,000	639,538	1,929,538
2011-2015	6,005,000	2,488,231	8,493,231
2016-2020	4,825,000	1,500,488	6,325,488
2021-2024	3,825,000	421,281	4,246,281
	<u>\$ 21,020,000</u>	<u>\$ 8,056,875</u>	<u>\$ 29,076,875</u>

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Compensated absences	<u>\$ 5,836</u>	<u>\$ -</u>	<u>\$ 3,768</u>	<u>\$ 2,068</u>	<u>\$ -</u>
Business-type activities:					
General obligation bonds	<u>\$7,458,973</u>	<u>\$ 14,331,027</u>	<u>\$ 770,000</u>	<u>\$21,020,000</u>	<u>\$1,265,000</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2005 levy was assessed at \$276,199,480. The government's general operating tax rate for fiscal year 2004-2005 was .7459 mills with 2.3245 additional mills levied for police and fire operations. The revenue generated by the additional millage is not enough to cover police and fire expenditures; therefore, these operations are reliant on General Fund subsidies. Accordingly, both the property tax revenue and these operations are accounted for in the General Fund.

B. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees which bear a reasonable relationship to the cost of operating their building departments. The Township's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Township's building department are accounted for in the General Fund.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2005, the Township's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	\$ 53,805
Mechanical permits	14,680
Plumbing permits	34,542
Electrical permits	<u>70,885</u>
Total revenue	<u>173,912</u>

Expenditures

Building Inspector	\$ 87,358
Electrical Inspector	30,367
Plumbing Inspector	9,373
Indirect costs (overhead)	<u>28,586</u>
Total expenditures	<u>155,684</u>
Excess (deficiency)	18,228
Cumulative excess (deficiency) of building department revenues over expenditures: June 30, 2004	<u>(30,858)</u>
June 30, 2005	<u>\$ (12,630)</u>

C. RESTATEMENTS

Beginning net assets of governmental activities were decreased by \$20,880 to exclude leased vehicles which were previously included incorrectly.

Beginning net assets of the Lake Columbia Sewer enterprise fund were decreased by \$3,341,084 and the Vineyard Lake Sewer enterprise fund increased \$3,341,084 to show the formation of the new Vineyard Lake fund which accounts for the activities of a joint sewage disposal and wastewater treatment project.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. SPECIAL ITEM

In 2002, the Township entered into an agreement with the Jackson County Department of Public Works, Norvell Township, and Cambridge Township. Under this agreement bonds were issued to finance the construction of a wastewater disposal system (Clark Lake and Vineyard Lake sections).

Residents who planned on connecting to the new sewer system deposited money with the Township to cover the cost of "tapping-in" to the system. When the residents were actually connected to the system, the cost per house was approximately \$1,450 less than anticipated.

In 2005, the Township refunded excess deposits to residents, totaling \$99,845. This is shown as a special item on the financial statements because it is a one-time occurrence.

* * * * *

**COMBINING and INDIVIDUAL FUND
FINANCIAL STATEMENTS**

COLUMBIA TOWNSHIP, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2005

	<u>Agency Funds</u>		
	<u>Current Tax</u>	<u>Payroll Clearing</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,207	\$ 1,316	\$ 9,523
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ 132	\$ 1,316	\$ 1,448
Due to other governments	8,075	-	8,075
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES</u>	<u>\$ 8,207</u>	<u>\$ 1,316</u>	<u>\$ 9,523</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



August 11, 2005

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan

We have audited the basic financial statements of ***Columbia Township, Michigan***, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 11, 2005. Professional standards require that we provide you with the following information related to your audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 1, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Columbia Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Township are described in Note I to the basic financial statements.

We noted no transactions entered into by Columbia Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of depreciable capital assets in the Governmental and Business-type Activities is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several adjustments, which all were recorded by management, and in our judgment had a significant effect on the Township.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum are intended solely for the use of the Board of Trustees, management and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Lehmann Lohman". The signature is written in black ink and is positioned below the "Very truly yours," text.

Columbia Township
Comments and Recommendations
For the June 30, 2005 Audit

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated August 11, 2005 on the financial statements of Columbia Township.

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Township's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Township's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Columbia Township
Comments and Recommendations (Concluded)
For the June 30, 2005 Audit

Other Internal Control Considerations

In addition to the general control environment considerations identified above, our testing of cash disbursements and journal entries identified numerous instances of specific transactions that were initiated without adequate support. In general, every disbursement of Township funds should be supported by an invoice and documented approval by an employee at a supervisory level.

Similarly, journal entries should be reviewed and approved by an employee independent of the preparer. In this way, all transactions will be supported with documentary evidence sufficient for an outside party with no previous knowledge of the Township's operations to be able to clearly identify the nature, purpose, and authorization for the transaction.

* * * * *